

ID: CCA_2010081211580250

Number: **201042024**

Release Date: 10/22/2010

Office:

UILC: 6694.00-00

From:

Sent: Thursday, August 12, 2010 11:58:07 AM

To:

Cc:

Subject: RE: Questions

The regulations under section 6694 specifically discuss this situation for purposes of determining whether an "understatement of liability" exists. Treas. Reg. section 1.6694-1(c) provides that the net payable in a taxable year with respect to the return for which the preparer engaged in conduct proscribed by section 6694 is not reduced by any carryback.

Also, the Small Business and Work Opportunity Tax Act of 2007 increased the first-tier penalty under section 6694(a) from \$250 to the greater of \$1,000 or 50 percent of the income derived (or to be derived) by the preparer from the preparation of a return with respect to which the penalty was imposed. The amendments made by the 2007 Act were effective for tax returns prepared after the date of enactment, May 25, 2007.